

**REPORT OF THE AUDIT OF THE  
MARION COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARION COUNTY FISCAL COURT**

**June 30, 2011**

The Auditor of Public Accounts has completed the audit of the Marion County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Marion County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$15,527,564 as of June 30, 2011. The fiscal court had unrestricted net assets of \$3,995,388 in its governmental activities as of June 30, 2011, with total net assets of \$14,042,203. In its business-type activities, total net cash and cash equivalents were \$81,726 with total net assets of \$1,485,361. The fiscal court had total debt principal as of June 30, 2011 of \$17,803,106 with \$1,132,849 due within the next year.

#### **Report Comments:**

- 2011-01 Procedures For Maintaining Ledgers And Reconciliation Should Be Improved
- 2011-02 The Jailer Should Ensure That All Commissions Earned From The Sale Of Merchandise Is Deposited Into The Jail Canteen Fund
- 2011-03 The Fiscal Court Should Advertise For Bid On Purchases That Exceeded \$20,000 In Accordance With KRS 424.260

#### **Deposits:**

The fiscal court deposits were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$168,945 as of June 30, 2011
- Uncollateralized and Uninsured \$132,403 as of August 31, 2010

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable John G. Mattingly, Marion County Judge/Executive

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Marion County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Marion County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable John G. Mattingly, Marion County Judge/Executive  
Members of the Marion County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2012 on our consideration of Marion County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2011-01 Procedures For Maintaining Ledgers And Reconciliation Should Be Improved
- 2011-02 The Jailer Should Ensure That All Commissions Earned From The Sale Of Merchandise Is Deposited Into The Jail Canteen Fund
- 2011-03 The Fiscal Court Should Advertise For Bid On Purchases That Exceeded \$20,000 In Accordance With KRS 424.260

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

March 23, 2012



MARION COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

John G. Mattingly	County Judge/Executive
Larry V. Caldwell	Magistrate
John A. Elder	Magistrate
Steve Masterson	Magistrate
Roger Smothers	Magistrate
Jackie Wicker	Magistrate

**Other Elected Officials:**

Joseph H. Mattingly, III	County Attorney
Barry Brady	Jailer
Karen Spalding	County Clerk
Kim May	Circuit Court Clerk
Jimmy Clements	Sheriff
Terry Rakes	Property Valuation Administrator
Dick Moraja	Coroner

**Appointed Personnel:**

Kevin Cochran	County Treasurer
Theresa T. Wilson	Finance Officer

**Marion County  
Management's Discussion and Analysis  
June 30, 2011**

Management's discussion and analysis of Marion County Fiscal Court, Kentucky offers readers of Marion County's financial statements a narrative overview and analysis of the financial activities of Marion County for fiscal year ending June 30, 2011. We encourage readers to review both the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to these financial statements.

**Financial Highlights**

- ◆ Marion County had total liabilities of \$17,803,106 and net assets of \$15,527,564 as of June 30, 2011. The fiscal court had \$3,995,388 unrestricted net assets in its governmental activities as of June 30, 2011 that may be used to meet the county's ongoing obligations. Total principal debt was \$17,803,106 with \$1,132,849 due within one year. The interest due within one year is approx. \$687,000 depending on the variable rates.
- ◆ At the close of the fiscal year Marion County's balance sheet reported a fund balance of \$4,099,126. Of this amount, \$733,496 is restricted for debt service and capital projects and \$3,191,638 is available for spending at the government's discretion.
- ◆ Marion County's total indebtedness at the close of fiscal year June 30, 2011 was \$17,803,106, with \$1,132,849 due in fiscal year 2012 and the remaining \$16,670,257 being long-term debt (due after one year). Debt reductions were \$975,617.

**Overview of the Financial Statements**

This overview of financial statements is intended to serve as an introduction to Marion County's basic financial statements, which are comprised of three components:

**Government Wide Financial Statements**

The *Government-wide financial statements* are designed to provide readers with a broad overview of Marion County's finances in a similar way to private sector enterprises. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The *Statement of Net Assets* presents all of Marion County's assets and liabilities, with the difference being reported as net assets. This statement is a useful tool to indicate whether the financial position of the county is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when events are recorded. For example, Marion County Fiscal Court posts expenses when a check is cut and revenues when a deposit is made. However, Marion County does track contingent liabilities (bills to be paid) as well as bills for services provided but they are not recorded until paid. Furthermore, depreciation expense on capital assets does not generate a cash transaction so they are not recorded.

Government-wide financial statements distinguish the functions of Marion County that are principally supported by tax and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Marion County's governmental activities include general governmental, protection to persons and property (Marion County Detention Center and animal control), roads, recreation, ambulance service, sanitation and social services. Marion County has two business type activities which are the EMS Fund and the Jail Canteen.

Included in Marion County's government-wide financial statement is Marion County Public Properties, a separate and legal entity that has a significant operational and financial relationship with the county.

**Marion County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Government Wide Financial Statements (Continued)**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marion County uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Marion County can be divided into two broad categories: governmental funds and proprietary funds.

**Government-Wide Financial Analysis**

**Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>
Current Assets	\$ 6,818,229	\$ 4,141,078	\$ 63,080	\$ 81,726	\$ 6,881,309	\$ 4,222,804
Non-Current Assets	25,900,406	27,659,394	35,453	1,448,412	25,935,859	29,107,86
Total Assets	32,718,635	31,880,472	98,533	1,530,198	32,817,168	33,330,670
Current Liabilities	1,079,200	1,099,451		33,398	1,079,200	1,132,849
Long-Term Liabilities	17,699,523	16,658,81		11,439	17,699,523	16,670,257
Total Liabilities	18,778,723	17,758,269		44,837	18,778,723	17,803,106
Net Assets:						
Invested in capital assets, net of related debt	9,481,901	10,002,091	35,453	1,403,635	9,517,354	11,405,726
Restricted		44,724				44,724
Unrestricted	4,458,011	3,995,388	63,080	81,726	4,521,091	4,077,114
Restatement	(1,208,247)		1,401,491		193,244	
Total Net Assets	\$ 12,731,665	\$ 14,042,203	\$ 1,500,024	\$ 1,485,361	\$ 14,231,689	\$ 15,527,564

**Statement of Net Assets**

Total net assets increased from \$14,231,689(restated) at June 30, 2010 to \$15,527,564 at June 30, 2011. This is an increase of \$1,295,875. Of that is a decrease of \$14,663 from its business type activities and an increase of \$1,310,538 is from government type activities (after prior period restatements, see note 12 in notes to financial statements). Total assets increased from \$32,817,168 at June 30, 2010 to \$33,330,670 at June 30, 2011. This increase of \$513,502 was due to the increase in construction in progress of the new AOC Building during the fiscal year. Total liabilities decreased from \$18,778,723 at June 30, 2010 to \$17,803,106 at June 30, 2011. This is a decrease of \$975,617, which is due primarily to the decrease in financing obligations payable.

**Marion County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Government-Wide Financial Analysis (Continued)**

**Statement of Activities**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
<b>Revenues:</b>	<b><u>FY10</u></b>	<b><u>FY11</u></b>	<b><u>FY10</u></b>	<b><u>FY11</u></b>	<b><u>FY10</u></b>	<b><u>FY11</u></b>
<u>Program Revenues:</u>						
Charges for Services	\$ 2,015,505	\$ 3,235,961	\$ 77,681	\$ 760,994	\$ 2,093,186	\$ 3,996,995
Operating Grants and Contributions	4,878,584	2,650,975	-	11,009	4,878,584	2,661,984
Capital Grants and Contributions	-	1,321,122	-	-	-	1,321,122
<u>General Revenue:</u>						
Taxes	3,492,878	3,652,301	-	-	3,492,878	3,652,301
Excess Fees	169,459	96,834	-	-	169,459	96,834
Unrestricted Investment Earnings	36,581	37,243	-	1,931	36,581	39,174
Miscellaneous Revenues	758,326	706,883	-	-	758,326	706,883
Transfers	-	(370,000)	-	370,000	-	-
Interest	-	-	-	-	-	-
<b>Total Revenues</b>	<b>11,351,333</b>	<b>11,331,319</b>	<b>77,681</b>	<b>1,143,934</b>	<b>11,429,014</b>	<b>12,475,253</b>
<b>Expenses</b>						
General Government	3,543,759	2,930,100	-	-	3,543,759	2,930,100
Protection to Persons and Property	3,552,810	3,572,784	-	-	3,552,810	3,572,784
General Health and Sanitation	1,193,699	1,200,802	-	-	1,193,699	1,200,802
Social Services	48,241	121,364	-	-	48,241	121,364
Recreation and Culture	68,101	23,100	-	-	68,101	23,100
Roads	794,832	1,428,536	-	-	794,832	1,428,536
Bus Services	-	32,780	-	-	-	32,780
Debt Service	717,371	711,715	-	-	717,371	711,715
Capital Projects	-	-	-	-	-	-
Jail Canteen	-	-	71,872	130,587	71,872	130,587
EMS Fund	-	-	-	1,028,010	-	1,028,010
<b>Total Expenses</b>	<b>9,918,813</b>	<b>10,020,781</b>	<b>71,872</b>	<b>1,158,597</b>	<b>9,990,685</b>	<b>11,179,378</b>
Change in Net Assets	1,432,520	1,310,538	5,809	(14,663)	1,438,329	1,295,875
Net Assets - Beginning	12,507,392	12,731,665	92,724	1,500,024	12,600,116	14,231,689
Restatement	(1,208,247)		1,401,491		193,244	
Net Assets - Ending	\$ 12,731,665	\$ 14,042,203	\$ 1,500,024	\$ 1,485,361	\$ 14,231,689	\$ 15,527,564

**Statement of Activities**

Total expense for the primary government increased from \$9,990,685 for the year ended June 30, 2010 to \$11,179,378 for fiscal year ended June 30, 2011. This is an increase in expenses of \$1,188,693. Total revenue from all sources increased from \$11,429,014 at June 30, 2010 to \$12,475,253 at June 30, 2011. This is a total increase in revenue of \$1,046,239. The change in net assets for June 30, 2010 was \$1,438,329 compared to \$1,295,875 at June 30, 2011. This is a decrease of \$142,454 for the current fiscal year.

**Marion County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Statement of Analysis of Individual Funds**

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is much narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Marion County maintains six (6) individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund, Road Fund, Jail Fund, Public Properties Fund Construction Fund, Homeland Security Fund and National Scenic Byway Program Fund.

**General Fund.** The General Fund is the chief operating fund of Marion County. At FYE June 30, 2011 the General Fund had a fund balance of \$3,266,597. The County received \$2,623,072 in occupational tax revenues. This accounts for approximately 33% of the general fund revenue. The county also received \$1,306,958 in sanitation fees, which is 16% of the general fund. Property tax generated \$839,026 in revenue. This was 11% of the revenue for the general fund. AOC space rental for the Courthouse totaled \$151,870 which was 2% of the total revenue. Various other taxes and service fees make up the remaining 38% of the revenues. There was a prior year carryover of \$3,494,140 and there was \$1,180,000 transferred to other funds.

A large portion of the general fund expenditures was comprised of salary/wages and benefits. Total salaries/wages for the general fund was \$947,355 and benefits were \$1,060,251. Benefits and salaries/wages were 40% of the general fund expenses. Other major expenses were debt service of \$389,637 and sanitation costs of \$608,752; and various other expenditures make up the remaining general fund expenditures.

The beginning fund balance was \$3,494,140 and ending fund balance was \$3,266,597, resulting in a loss of \$227,543.

**General Fund Budgetary Highlights**

Actual operating revenues were \$1,147,655 more than the amount originally budgeted by Fiscal Court. This increase primarily resulted from occupational tax revenue, reimbursement from FEMA, intergovernmental sources (Marion County Clerk and Marion County Sheriff), AOC space rental and property tax revenue.

Actual operating expenditures were \$383,629 less than the amount originally budgeted by Fiscal Court. Community Project/Industrial Incentives accounted for 21% of the amount of expenditures not expended. Salary and benefits, property insurance and fairground land improvement accounted for most of the remaining.

**Road Fund.** The Road Funds income was primarily from the Commonwealth of Kentucky (67%). \$770,000 was transferred from the General Fund. The Road fund had a Prior year carryover of \$14,864.

Sixty-three percent (63%) of the expenditures was for bridges and roads while 17% was for wages and benefits. Machinery and equipment comprised 11% of the expenditures and various other expenditures comprise the remaining 9%.

**Marion County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Statement of Analysis of Individual Funds (Continued)**

The ending fund balance for the road was \$14,980 compared to \$14,864 from the prior year.

**Road Fund Budgetary Highlights**

Actual operating revenues were \$25,053 less than originally budgeted by the Fiscal Court. This decrease was due primarily to the transfer for General Fund being less than anticipated.

Actual expenditures were \$68,169 less than budgeted. This was primarily due to less than expected employee salary and benefits expense.

**Jail Fund.** The jail received 53% of its income from Commonwealth of KY, and 27% was received from payments for housing Federal Inmates. Payments received from Taylor Co. Fiscal Court and Washington Co. Fiscal Court.

Court comprised 5% of income. Various other incomes made up the remaining 15%. There were no transfers from the General Fund.

The jail expended 56% of the total expenditures on salary and benefits, 10% on debt service, 9% on food, 8% on medical services and 5% on utilities. The remaining 12% was expended on various other items.

The beginning fund balance for the jail was \$200,412, and the ending fund balance was \$67,871. This is a decrease in fund balance of \$132,541 from the prior year.

**Jail Fund Budgetary Highlights**

Actual operating revenues were \$137,289 less than originally budgeted. This was primarily due to housing less state prisoners than anticipated.

Actual expenditures were \$294,328 less than the original budget. Interest on Note, salaries and benefits, equipment and food were the main expenditures that were less than the original budget. There were no transfers from the General Fund.

**Public Properties Construction Fund.** Marion County continued with the construction of the new AOC building (Courthouse). The county had previously sold bonds in the amount of \$11,335,000 to finance the project. The county received \$907,912 in revenue while expending \$3,287,237 for ongoing construction costs, leaving a fund balance of \$733,496.

**Proprietary Fund**

Proprietary funds provide the same type of information as the business-type activity column on the government-wide financial statements, only in more detail. Marion County has only two propriety funds, which are the Jail Canteen Fund and EMS Fund.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

**Marion County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets.** Marion County's investment in capital assets for its governmental and business type activities as of June 30, 2011 amounts to \$28,216,332 (net of accumulated depreciation) an increase of \$3,114,131. This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. Marion County has reported infrastructure assets per GASB 34 provisions.

**Long-term debt.** At the end of the fiscal year 2011, Marion County had a total long-term debt outstanding of \$17,803,106 (principal and interest). This is a decrease of \$975,617. The amount of debt due within the next fiscal year is \$1,132,849. This debt is primarily for the new courthouse, the detention center and the county office building. Additional information on long term debt can be found in note 6 to the financial statements.

**Other Matters**

The following factors are expected to have a significant effect on Marion County's financial position or results of operations and were taken into account in developing the 2012 fiscal year budget:

- ◆ The fiscal year ending (FYE) 2012 budget continues most services at current levels with the exception for which state funds are decreasing for projects that were completed and federal funds decreasing for projects completed in FYE 2012.

**Request for Information**

This financial report is designed to provide a general overview of Marion County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kevin Cochran, 223 North Spalding Avenue, Lebanon, KY 40033

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**MARION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**MARION COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,099,126	\$ 81,726	\$ 4,180,852
Notes Receivable	41,952		41,952
Total Current Assets	4,141,078	81,726	4,222,804
Noncurrent Assets:			
Notes Receivable	603,988		603,988
Bond Issuance Costs	287,547		287,547
Capital Assets -			
Construction In Progress	10,392,268		10,392,268
Land	387,000	30,000	417,000
Buildings	16,215,893	1,504,120	17,720,013
Equipment	2,210,036	136,210	2,346,246
Vehicles	2,676,938	448,424	3,125,362
Infrastructure	5,860,054		5,860,054
Less Accumulated Depreciation	(10,974,330)	(670,282)	(11,644,612)
Total Noncurrent Assets	27,659,394	1,448,472	29,107,866
Total Assets	31,800,472	1,530,198	33,330,670
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	445,000		445,000
Financing Obligations Payable	654,451	33,398	687,849
Total Current Liabilities	1,099,451	33,398	1,132,849
Noncurrent Liabilities:			
Bonds Payable	10,460,000		10,460,000
Financing Obligations Payable	6,198,818	11,439	6,210,257
Total Noncurrent Liabilities	16,658,818	11,439	16,670,257
Total Liabilities	17,758,269	44,837	17,803,106
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	10,002,091	1,403,635	11,405,726
Restricted For:			
Protection to Persons and Property	156		156
Roads	16,026		16,026
Debt Service	28,542		28,542
Unrestricted	3,995,388	81,726	4,077,114
Total Net Assets	\$ 14,042,203	\$ 1,485,361	\$ 15,527,564

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**MARION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,930,100	\$ 4,422	\$ 198,300	\$ 32,556
Protection to Persons and Property	3,572,784	1,835,238	1,297,362	
General Health and Sanitation	1,200,802	1,396,301	78,983	
Social Services	121,364			
Recreation and Culture	23,100			
Roads	1,428,536		185,067	1,288,566
Bus Services	32,780			
Debt Service	711,315		891,263	
Total Governmental Activities	10,020,781	3,235,961	2,650,975	1,321,122
Business-type Activities:				
Jail Canteen	130,587	114,272		
EMS Fund	1,028,010	646,722	11,009	
Total Business-type Activities	1,158,597	760,994	11,009	
Total Primary Government	\$ 11,179,378	\$ 3,996,955	\$ 2,661,984	\$ 1,321,122

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**MARION COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (2,694,822)	\$	\$ (2,694,822)
(440,184)		(440,184)
274,482		274,482
(121,364)		(121,364)
(23,100)		(23,100)
45,097		45,097
(32,780)		(32,780)
179,948		179,948
(2,812,723)		(2,812,723)
	(16,315)	(16,315)
	(370,279)	(370,279)
	(386,594)	(386,594)
(2,812,723)	(386,594)	(3,199,317)
751,545		751,545
73,092		73,092
94,675		94,675
2,623,072		2,623,072
109,917		109,917
96,834		96,834
37,243	1,931	39,174
706,883		706,883
(370,000)	370,000	
4,123,261	371,931	4,495,192
1,310,538	(14,663)	1,295,875
12,731,665	1,500,024	14,231,689
\$ 14,042,203	\$ 1,485,361	\$ 15,527,564

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

**MARION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Construction Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,266,597	\$ 14,980	\$ 67,871	\$ 733,496
Total Assets	<u>3,266,597</u>	<u>14,980</u>	<u>67,871</u>	<u>733,496</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Protection to Persons and Property				
Roads				
Debt Service				28,542
Capital Projects				704,954
<b>Assigned To:</b>				
Protection to Persons and Property	74,959		67,871	
Roads		14,980		
<b>Unassigned</b>	<u>3,191,638</u>			
Total Fund Balances	<u>\$ 3,266,597</u>	<u>\$ 14,980</u>	<u>\$ 67,871</u>	<u>\$ 733,496</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Financing Obligations

Bonds

Notes Receivables

Debt Issuance Costs

Net Assets Of Governmental Activities

The accompanying notes are an integral part of the financial statements.

**MARION COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 16,182</u>	<u>\$ 4,099,126</u>
<u>16,182</u>	<u>4,099,126</u>

156	156
16,026	16,026
	28,542
	704,954
	142,830
	14,980
	<u>3,191,638</u>
<u>\$ 16,182</u>	<u>\$ 4,099,126</u>

\$ 4,099,126

37,742,189  
(10,974,330)

(6,853,269)  
(10,905,000)  
645,940  
287,547

\$ 14,042,203

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**MARION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>
<b>REVENUES</b>			
Taxes	\$ 3,652,301	\$	\$
Excess Fees	96,834		
Licenses and Permits	4,422		
Intergovernmental	354,503	1,473,632	3,136,364
Charges for Services	1,394,857		11,975
Miscellaneous	431,195	15,001	201,726
Interest	18,936	393	1,266
Total Revenues	<u>5,953,048</u>	<u>1,489,026</u>	<u>3,351,331</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,127,131		
Protection to Persons and Property	446,397		2,631,362
General Health and Sanitation	1,229,418		
Social Services	121,364		
Recreation and Culture	23,100		
Roads		2,130,058	
Bus Services	32,780		
Debt Service:	389,637	53,080	372,816
Capital Projects			
Administration	<u>1,630,764</u>	<u>115,772</u>	<u>589,694</u>
Total Expenditures	<u>5,000,591</u>	<u>2,298,910</u>	<u>3,593,872</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>952,457</u>	<u>(809,884)</u>	<u>(242,541)</u>
<b>Other Financing Sources (Uses)</b>			
Financing Obligation Proceeds			110,000
Transfers From Other Funds		810,000	
Transfers To Other Funds	<u>(1,180,000)</u>		
Total Other Financing Sources (Uses)	<u>(1,180,000)</u>	<u>810,000</u>	<u>110,000</u>
Net Change in Fund Balances	(227,543)	116	(132,541)
Fund Balances - Beginning (Restated)	3,494,140	14,864	200,412
Fund Balances - Ending	<u>\$ 3,266,597</u>	<u>\$ 14,980</u>	<u>\$ 67,871</u>

The accompanying notes are an integral part of the financial statements.

**MARION COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Public Properties Corporation Construction Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 3,652,301
		96,834
		4,422
891,263	1	5,855,763
		1,406,832
	1	647,923
16,649		37,244
907,912	2	11,701,319
		1,127,131
		3,077,759
		1,229,418
		121,364
		23,100
		2,130,058
		32,780
889,263		1,704,796
2,395,866		2,395,866
2,108		2,338,338
3,287,237		14,180,610
(2,379,325)	2	(2,479,291)
		110,000
		810,000
		(1,180,000)
		(260,000)
(2,379,325)	2	(2,739,291)
3,112,821	16,180	6,838,417
\$ 733,496	\$ 16,182	\$ 4,099,126

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**MARION COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (2,739,291)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	4,151,342
Depreciation Expense	(981,189)
Assets disposed of, net book value	(5,913)

Payment on Receivable Provides for Current Financial Resources to Governmental Funds, while at the Government-wide Level, a Reduction of the Receivable Occurs. These Transactions Have No Effect on Net Assets. (41,615)

The Issuance of Long-Term Debt (e.g. bonds, financing obligations) Provides Current Financial Resources to Governmental Funds, while Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. Additionally Debt Issuance Costs is Included in the Governmental Funds as an Expenditure the Year the Debt is Obtained, but Amortized Over the Life of the Debt at the Government-wide Level and is Included as an Expense on the Statement of Activities. These Transactions, however, Have No Effect on Net Assets.

Financing Obligation Proceeds	(110,000)
Financing Obligations Principal Payments	623,558
Bond Principal Payments	430,000
Amortization of Debt Issuance Costs	<u>(16,354)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,310,538</u></u>
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**MARION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**



**MARION COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>EMS Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 55,666	\$ 26,060	\$ 81,726
Total Current Assets	<u>55,666</u>	<u>26,060</u>	<u>81,726</u>
Noncurrent Assets:			
Capital Assets:			
Land		30,000	30,000
Buildings	4,120	1,500,000	1,504,120
Equipment	29,037	107,173	136,210
Vehicles	28,386	420,038	448,424
Less Accumulated Depreciation	<u>(32,905)</u>	<u>(637,377)</u>	<u>(670,282)</u>
Total Noncurrent Assets	<u>28,638</u>	<u>1,419,834</u>	<u>1,448,472</u>
Total Assets	<u>84,304</u>	<u>1,445,894</u>	<u>1,530,198</u>
<b>Liabilities</b>			
Current Liabilities:			
Financing Obligations Payable		33,398	33,398
Total Current Liabilities		<u>33,398</u>	<u>33,398</u>
Noncurrent Liabilities:			
Financing Obligations Payable		11,439	11,439
Total Noncurrent Liabilities		<u>11,439</u>	<u>11,439</u>
Total Liabilities		<u>44,837</u>	<u>44,837</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	28,638	1,374,997	1,403,635
Unrestricted	55,666	26,060	81,726
Total Net Assets	<u>\$ 84,304</u>	<u>\$ 1,401,057</u>	<u>\$ 1,485,361</u>

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**MARION COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>EMS Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Canteen Receipts	\$ 110,498	\$	\$ 110,498
Commissions	3,774		3,774
Charge for Services		631,555	631,555
Miscellaneous Income		161	161
Reimbursements		15,006	15,006
Total Operating Revenues	<u>114,272</u>	<u>646,722</u>	<u>760,994</u>
<b>Operating Expenses</b>			
Cost of Sales	20,174		20,174
Bond Payments to Circuit Clerk	12,634		12,634
Educational and Recreational	56,019		56,019
Staff Canteen Expenses	4,631		4,631
Personnel Costs	30,062	738,828	768,890
EMS Expenses		229,199	229,199
Depreciation	6,822	57,160	63,982
Miscellaneous	245		245
Total Operating Expenses	<u>130,587</u>	<u>1,025,187</u>	<u>1,155,774</u>
Operating Income (Loss)	<u>(16,315)</u>	<u>(378,465)</u>	<u>(394,780)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Transfers In		370,000	370,000
Interest Income	1,905	26	1,931
Debt Service		(2,823)	(2,823)
Grants		11,009	11,009
Total Nonoperating Revenues (Expenses)	<u>1,905</u>	<u>378,212</u>	<u>380,117</u>
Change In Net Assets	(14,410)	(253)	(14,663)
Total Net Assets - Beginning (Restated)	98,714	1,401,310	1,500,024
Total Net Assets - Ending	<u>\$ 84,304</u>	<u>\$ 1,401,057</u>	<u>\$ 1,485,361</u>

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**MARION COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>EMS Fund</b>	<b>Totals</b>
<b>Cash Flows From Operating Activities</b>			
Cash Receipts From Customers	\$ 110,498	\$ 631,555	\$ 742,053
Cash Receipts From Commissions	3,774		3,774
Cash Receipts for Reimbursements		15,006	15,006
Cash Receipts for Miscellaneous		161	161
Cash Payments to Vendors For Goods and Services	(93,703)	(229,199)	(322,902)
Cash Payments to Employees	(30,062)	(738,828)	(768,890)
Net Cash Provided (Used) By Operating Activities	(9,493)	(321,305)	(330,798)
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfer In from Marion County General Fund		370,000	370,000
Net Cash Provided (Used) By Noncapital Financing Activities		370,000	370,000
<b>Cash Flows From Capital and Related Financing Activities</b>			
State Grant		11,009	11,009
Purchase of Capital Assets		(13,873)	(13,873)
Debt Principal Payments		(32,058)	(32,058)
Debt Interest Payments		(2,823)	(2,823)
Net Cash Provided (Used) By Capital and Related Financing Activities		(37,745)	(37,745)
<b>Cash Flows From Investing Activities</b>			
Interest Earned	1,905	26	1,931
Net Cash Provided (Used) By Investing Activities	1,905	26	1,931
Net Increase (Decrease) in Cash and Cash Equivalents	(7,588)	10,976	3,388
Cash and Cash Equivalents - July 1 (Restated)	63,254	15,084	78,338
Cash and Cash Equivalents - June 30	\$ 55,666	\$ 26,060	\$ 81,726

The accompanying notes are an integral part of the financial statements.

**MARION COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>EMS Fund</b>	<b>Totals</b>
Operating Income (Loss)	\$ (16,315)	\$ (378,465)	\$ (394,780)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	6,822	57,160	63,982
Net Cash Provided (Used) By Operating Activities	<u>\$ (9,493)</u>	<u>\$ (321,305)</u>	<u>\$ (330,798)</u>

The accompanying notes are an integral part of the financial statements.



**MARION COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**MARION COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Agency Funds</b>		
	<b>Inmate Trust Fund</b>	<b>Inmate Bond Fund</b>	<b>Total Agency Funds</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 39,156	\$ 20,614	\$ 59,770
Total Assets	<u>39,156</u>	<u>20,614</u>	<u>59,770</u>
<b>Liabilities</b>			
Amounts Held In Custody For Others	<u>39,156</u>	<u>20,614</u>	<u>59,770</u>
Total Liabilities	<u>39,156</u>	<u>20,614</u>	<u>59,770</u>
<b>Net Assets</b>			
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Marion County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Marion County Public Properties Corporation**

The Public Properties Corporation is a legally separate organization that provides its services exclusively to the primary government. This component unit cannot be sued in its own name without recourse to the Marion County Fiscal Court, which appoints a voting majority consisting of the Fiscal Court members. The Fiscal Court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agent in the acquisition and financing of any public project. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Marion County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Marion County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Marion County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Public Properties Corporation Construction Fund** - The purpose of this fund is to account for activity involved in construction and debt service of the new courthouse.

The primary government also has the following non-major funds: Homeland Security Fund and the National Scenic By-Way Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, National Scenic By-Way Fund, and Homeland Security Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

**Capital Projects Fund:**

The Public Properties Corporation Construction Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities and purchase of capital assets.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

EMS Fund – This fund is used to provide emergency medical services to the citizens of Marion County.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Jail Canteen Inmate Trust Fund - The jail inmate monies held for custodial purposes only until remitted to the proper agencies or individuals.

Jail Canteen Inmate Bond Trust Fund - This fund accounts for bond monies held for custodial purposes only until remitted to the proper agencies or individuals.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	All	10 to 60
Buildings and Building Improvements	\$ 10,000	10 to 75
Machinery and Equipment	\$ 1,000	3 to 25
Vehicles	\$ 5,000	3 to 25
Infrastructure	\$ 20,000	12 to 25

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has used the spending policy to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Marion County Public Properties Construction Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Budgetary Information (Continued)**

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). On June 30, 2011 and August 31, 2010, the government's bank balance was exposed to custodial credit risk because the banks did not adequately collateralize the government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$168,945 as of June 30, 2011
- Uncollateralized and Uninsured \$132,403 as of August 31, 2010

**Note 3. Transfers**

The table below shows operating transfers for FY 2011.

	General Fund	Total Transfers In
Road Fund	\$ 810,000	\$ 810,000
EMS Fund	370,000	370,000
Total Transfers Out	<u>\$ 1,180,000</u>	<u>\$ 1,180,000</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Note Receivable**

On June 20, 2008, the Marion County Fiscal Court (County), entered into an agreement to loan the City of Loretto (City) \$20,000, for the purpose to help construct the city hall. Terms of the promissory note require the City to pay County \$4,000 per year for five years beginning July 1, 2009, with a similar payment to be made on the same date of each year thereafter, until paid.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<b><u>Governmental Activities:</u></b>	Restated			
Capital Assets Not Being Depreciated:				
Land	\$ 387,000	\$	\$	\$ 387,000
Construction In Progress	7,886,402	2,505,866		10,392,268
Total Capital Assets Not Being Depreciated	8,273,402	2,505,866		10,779,268
Capital Assets, Being Depreciated:				
Buildings	16,065,893	150,000		16,215,893
Equipment	2,188,336	21,700		2,210,036
Vehicles	2,528,123	169,508	(20,693)	2,676,938
Infrastructure	4,555,786	1,304,268		5,860,054
Total Capital Assets Being Depreciated	25,338,138	1,645,476	(20,693)	26,962,921
Less Accumulated Depreciation For:				
Buildings	(6,122,082)	(274,488)		(6,396,570)
Equipment	(1,126,146)	(123,537)		(1,249,683)
Vehicles	(1,740,905)	(130,786)	14,780	(1,856,911)
Infrastructure	(1,018,788)	(452,378)		(1,471,166)
Total Accumulated Depreciation	(10,007,921)	(981,189)	14,780	(10,974,330)
Total Capital Assets, Being Depreciated, Net	15,330,217	664,287	(5,913)	15,988,591
Governmental Activities Capital Assets, Net	\$ 23,603,619	\$ 3,170,153	\$ (5,913)	\$ 26,767,859

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

<u>Business-Type Activities:</u>	Reporting Entity			
	Beginning Balance Restated	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 30,000	\$	\$	\$ 30,000
Total Capital Assets Not Being Depreciated	30,000			30,000
Capital Assets, Being Depreciated:				
Buildings	1,504,120			1,504,120
Equipment	122,337	13,873		136,210
Vehicles	448,424			448,424
Total Capital Assets Being Depreciated	2,074,881	13,873		2,088,754
Less Accumulated Depreciation For:				
Buildings	(316,083)	(30,206)		(346,289)
Equipment	(64,992)	(10,372)		(75,364)
Vehicles	(225,224)	(23,404)		(248,628)
Total Accumulated Depreciation	(606,299)	(63,982)		(670,281)
Total Capital Assets, Being Depreciated, Net	1,468,582	(50,109)		1,418,473
Business-Type Activities Capital Assets, Net	<u>\$ 1,498,582</u>	<u>\$ (50,109)</u>	<u>\$ 0</u>	<u>\$ 1,448,473</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 172,205
Protection to Persons and Property	194,618
General Health and Sanitation	92,384
Roads, Including Depreciation of General Infrastructure Assets	<u>521,982</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 981,189</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Jail Canteen	\$ 6,822
Emergency Medical Services	<u>57,160</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 63,982</u>

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt**

**A. Financing Obligation-Marion County Detention Center**

On June 10, 1998, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$5,400,000 from the Community Trust Bank, F.S.B. for the purpose of funding the expansion of the Marion County Detention Center. The estimated cost of the expansion was \$1,990,046; the remaining balance of the contract lease and option was used to pay off the financing statement with Community Trust Bank for the original construction. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is May 1, 2018. As of June 30, 2011, the outstanding principal balance was \$2,507,246. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities Principal
2012	\$ 312,000
2013	328,000
2014	344,000
2015	360,000
2016	378,000
2017-2018	785,246
Totals	<u>\$ 2,507,246</u>

**B. Financing Obligation-Marion County Administration Building**

On December 16, 2003, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$3,500,000 from Farmers National Bank for the purpose of funding the construction of the Marion County administration building. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is November 1, 2023. As of June 30, 2011, the outstanding principal balance was \$2,604,625. Principal payment requirements for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities Principal
2012	\$ 165,650
2013	173,090
2014	180,530
2015	187,970
2016	195,410
2017-2021	1,088,650
2022-2024	613,325
Totals	<u>\$ 2,604,625</u>

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. Financing Obligation-Marion County Administration Building**

On December 7, 2005, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$300,000 from Kentucky Association of Counties for the purpose of funding the construction of the Marion County Administration Building. The date of the final maturity of the obligation is July 20, 2015. As of June 30, 2011, the outstanding principal balance was \$165,000. Principal payments requirements and schedule interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 30,000	\$ 6,808
2013	30,000	5,381
2014	35,000	3,740
2015	35,000	2,079
2016	35,000	164
Totals	<u>\$ 165,000</u>	<u>\$ 18,172</u>

**D. Financing Obligation-Marion County Administration Building**

On August 20, 2004, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$1,000,000 from Farmers National Bank for the purpose of funding the construction of the Marion County Administration Building. The interest rate is variable and is calculated based on the outstanding principal. Payments are made quarterly. The date of the final maturity of the obligation is November 1, 2023. As of June 30, 2011, the outstanding principal balance was \$743,650. Principal payment requirements for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities
	Principal
2012	\$ 47,200
2013	49,100
2014	51,500
2015	53,640
2016	55,950
2017-2021	310,900
2022-2023	<u>175,360</u>
Totals	<u>\$ 743,650</u>

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**E. Financing Obligation-Lebanon Fire Department Fire Truck**

On November 5, 2007, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$189,000 with the Kentucky Association of Counties for the purpose of funding the purchase of a fire truck by the Lebanon Fire Department at an interest rate of 4.338%. Payments are made monthly. The date of the final maturity of the obligation is July 20, 2022. As of June 30, 2011, the outstanding principal balance was \$159,000. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 10,000	\$ 6,487
2013	10,000	6,059
2014	10,000	5,646
2015	10,000	5,232
2016	10,000	4,829
2017-2021	75,000	14,878
2022-2023	34,000	996
Totals	<u>\$ 159,000</u>	<u>\$ 44,127</u>

**F. First Mortgage Revenue Bond, Series 2009-Marion County Court Building**

On February 1, 2009, Marion County Public Properties Corporation issued Revenue Bonds, Series 2009 in the amount of \$11,335,000 for the purpose of retiring the Revenue Bond Anticipation Notes Series 2007 and fund the construction of the Marion County Court Building at a variable interest rate. Payments are made semi-annually. The date of the final maturity of the obligation is March 1, 2029. As of June 30, 2011, the outstanding principal balance was \$10,905,000. Principal payment requirements and scheduled interest for the remaining term of the notes are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 445,000	\$ 446,362
2013	455,000	433,013
2014	470,000	419,362
2015	485,000	405,262
2016	500,000	390,712
2017-2021	2,760,000	1,689,163
2022-2026	3,370,000	1,072,676
2027-2029	2,420,000	243,825
Totals	<u>\$ 10,905,000</u>	<u>\$ 5,100,375</u>



**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Financing Obligation-Central Kentucky Community Action, Inc. Building and Note Receivable**

On May 5, 2008, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$495,000 with Kentucky Association of Counties for the purpose of funding the purchase of an office building by Central Kentucky Community Action Council, Inc. at an interest rate of 4.501%. Payments are made monthly. The date of the final maturity of the obligation is April 20, 2028. As of June 30, 2011, the outstanding principal balance was \$442,377. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 18,188	\$ 19,404
2013	18,999	18,620
2014	19,848	17,768
2015	20,733	16,863
2016	21,659	17,258
2017-2021	123,690	64,256
2022-2026	153,873	33,950
2027-2028	65,387	3,445
Totals	<u>\$ 442,377</u>	<u>\$ 191,564</u>

On May 5, 2008, Marion County entered into a capital lease whereby Marion County leases and office building to Central Kentucky Community Action Council over a 20-year period. The economic substance of this lease is that Marion County is financing the acquisition of the office building by Central Kentucky Community Action Council and, accordingly, has recorded a note receivable in the County's assets. The lease agreement contains a bargain purchase option at the end of the lease term.

**H. Financing Obligation-Rescue Squad Vehicle**

On August 4, 2008, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$67,000 with Kentucky Association of Counties for the purpose of funding the purchase of a rescue vehicle by the Marion County Rescue Squad at a variable rate of interest. Payments are made monthly. The date of the final maturity of the obligation is July 20, 2015. As of June 30, 2011, the outstanding principal balance was \$47,000. Principal payment requirements and schedule interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 10,000	\$ 1,771
2013	10,000	1,361
2014	10,000	954
2015	10,000	546
2016	7,000	43
Totals	<u>\$ 47,000</u>	<u>\$ 4,675</u>

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**I. Financing Obligation-Ambulance**

On November 16, 2009, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$95,000 with Kentucky Association of Counties for the purpose of funding the purchase of an ambulance at a variable rate of interest. Payments are made monthly. The date of the final maturity of the obligation is October 20, 2012. As of June 30, 2011, the outstanding principal balance was \$44,837. Principal payment requirements and schedule interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2012	\$ 33,398	\$ 1,447
2013	11,439	176
Totals	<u>\$ 44,837</u>	<u>\$ 1,623</u>

**J. Financing Obligation-Dump Trucks**

On January 25, 2010, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$144,874 with Kentucky Association of Counties for the purpose of funding the purchase of two dump trucks at a variable rate of interest. Payments are made monthly. The date of the final maturity of the obligation is January 20, 2013. As of June 30, 2011, the outstanding principal balance was \$80,788. Principal payment requirements and schedule interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 50,413	\$ 2,695
2013	30,375	577
Totals	<u>\$ 80,788</u>	<u>\$ 3,272</u>

**K. Financing Obligation-Marion County Detention Center Retractable Roof**

On November 24, 2010, Marion County Fiscal Court entered into a contract, lease, and option in the amount of \$110,000 with Kentucky Association of Counties for the purpose of funding the purchase of a retractable roof at the Marion County Detention Center at a variable rate of interest with monthly payments. The date of the final maturity of the obligation is November 20, 2020. As of June 30, 2011, the outstanding principal balance was \$103,583. Principal payment requirements and schedule interest for the remaining term of the contract are as follows:

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**K. Financing Obligation-Marion County Detention Center Retractable Roof (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 11,000	\$ 4,532
2013	11,000	4,016
2014	11,000	3,512
2015	11,000	3,007
2016	11,000	2,508
2017-2021	48,583	5,017
Totals	<u>\$ 103,583</u>	<u>\$ 22,592</u>

**L. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 11,335,000	\$	\$ 430,000	\$10,905,000	\$ 445,000
Financing Obligations	7,366,827	110,000	623,558	6,853,269	654,451
Governmental Activities Long-term Liabilities	<u>\$ 18,701,827</u>	<u>\$ 110,000</u>	<u>\$ 1,053,558</u>	<u>\$17,758,269</u>	<u>\$ 1,099,451</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Business-Type Activities:</u>					
Financing Obligations	\$ 76,896	\$	\$ 32,059	\$ 44,837	\$ 33,398
Governmental Activities Long-term Liabilities	<u>\$ 76,896</u>	<u>\$ 0</u>	<u>\$ 32,059</u>	<u>\$ 44,837</u>	<u>\$ 33,398</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$191,974 in interest on financing obligations and \$459,237 in interest on bonds.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$455,705, FY 2010 was \$536,188, and FY 2011 was \$576,405.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Deferred Compensation**

On February 24, 2000, the Marion County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Insurance**

For the fiscal year ended June 30, 2011, Marion County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**MARION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 11. Construction/Demolition Debris Landfill**

Marion County has a less-than one acre construction/demolition debris landfill. Fiscal Court has entered into a lease agreement for the land. The lease payment is \$25,000 a year. Closure of the landfill is estimated to occur in one year. Marion County is not required to set up a fund for post closure costs. The closure requirements are that the landfill shall be covered with soil cap two feet thick, within thirty days of ceasing to accept waste and grass seed must be sowed.

**Note 12. Change In Accounting Principles and Prior Period Adjustments**

Due to the implementation of Statement No. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, the General Fund includes the LGEA Fund and the Rescue Squad/Slavin Fund that were reported separately in the prior year as non- major funds. The net effect was an increase to the beginning balance of the General Fund of \$104,766 on the *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis*.

Beginning net assets for governmental activities and business-type activities have been restated for omission of prior year capital assets , assets not properly removed, miscalculation of depreciation expense in prior year, omission of prior year note receivable, and inclusion of the EMS Fund as a business-type activity. EMS was previously reported in governmental activities and as a non-major fund in the prior year. As a result, Governmental activities were restated by (\$1,208,247) and non-major fund balances are restated by (\$15,084). Business-type activities were restated by \$1,401,491.

**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**





**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 3,144,000	\$ 3,144,000	\$ 3,652,301	\$ 508,301
Excess Fees			96,834	96,834
Licenses and Permits	5,000	5,000	4,422	(578)
Intergovernmental Revenue	151,200	151,200	314,669	163,469
Charges for Services	1,330,000	1,330,000	1,394,857	64,857
Miscellaneous	110,000	110,000	431,195	321,195
Interest	25,000	25,000	18,577	(6,423)
Total Revenues	4,765,200	4,765,200	5,912,855	1,147,655
<b>EXPENDITURES</b>				
General Government	1,109,700	1,182,000	1,097,131	84,869
Protection to Persons and Property	470,400	459,000	446,397	12,603
General Health and Sanitation	1,305,750	1,267,050	1,229,418	37,632
Social Services	81,000	144,900	121,364	23,536
Recreation and Culture	45,000	45,000	23,100	21,900
Bus Services	35,000	35,000	32,780	2,220
Debt Service	482,000	433,000	389,637	43,363
Capital Projects	2,000	2,000		2,000
Administration	2,023,370	1,786,270	1,630,764	155,506
Total Expenditures	5,554,220	5,354,220	4,970,591	383,629
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(789,020)	(589,020)	942,264	1,531,284
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	50,000	50,000		(50,000)
Transfers To Other Funds	(1,210,980)	(1,410,980)	(1,140,000)	270,980
Total Other Financing Sources (Uses)	(1,160,980)	(1,360,980)	(1,140,000)	220,980
Net Changes in Fund Balance	(1,950,000)	(1,950,000)	(197,736)	1,752,264
Fund Balance - Beginning	1,950,000	1,950,000	3,389,374	1,439,374
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,191,638	\$ 3,191,638

**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,457,200	\$ 1,457,200	\$ 1,473,632	\$ 16,432
Miscellaneous	9,000	55,879	15,001	(40,878)
Interest	1,000	1,000	393	(607)
Total Revenues	<u>1,467,200</u>	<u>1,514,079</u>	<u>1,489,026</u>	<u>(25,053)</u>
<b>EXPENDITURES</b>				
Roads	1,907,200	2,172,079	2,130,058	42,021
Debt Service	55,000	57,800	53,080	4,720
Administration	158,000	137,200	115,772	21,428
Total Expenditures	<u>2,120,200</u>	<u>2,367,079</u>	<u>2,298,910</u>	<u>68,169</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(653,000)</u>	<u>(853,000)</u>	<u>(809,884)</u>	<u>43,116</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>633,000</u>	<u>833,000</u>	<u>810,000</u>	<u>(23,000)</u>
Total Other Financing Sources (Uses)	<u>633,000</u>	<u>833,000</u>	<u>810,000</u>	<u>(23,000)</u>
Net Changes in Fund Balance	(20,000)	(20,000)	116	20,116
Fund Balance - Beginning	<u>20,000</u>	<u>20,000</u>	<u>14,864</u>	<u>(5,136)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,980</u>	<u>\$ 14,980</u>

**MARION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,301,420	\$ 3,301,420	\$ 3,136,364	\$ (165,056)
Charges for Services	10,700	10,700	11,975	1,275
Miscellaneous	173,500	173,500	201,726	28,226
Interest	3,000	3,000	1,266	(1,734)
Total Revenues	<u>3,488,620</u>	<u>3,488,620</u>	<u>3,351,331</u>	<u>(137,289)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	2,678,800	2,837,800	2,631,362	206,438
Debt Service	398,000	407,500	372,816	34,684
Administration	701,400	642,900	589,694	53,206
Total Expenditures	<u>3,778,200</u>	<u>3,888,200</u>	<u>3,593,872</u>	<u>294,328</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(289,580)</u>	<u>(399,580)</u>	<u>(242,541)</u>	<u>157,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds		110,000	110,000	
Transfers From Other Funds	124,580	124,580		(124,580)
Total Other Financing Sources (Uses)	<u>124,580</u>	<u>234,580</u>	<u>110,000</u>	<u>(124,580)</u>
Net Changes in Fund Balance	(165,000)	(165,000)	(132,541)	32,459
Fund Balance - Beginning	<u>165,000</u>	<u>165,000</u>	<u>200,412</u>	<u>35,412</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,871</u>	<u>\$ 67,871</u>

**MARION COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

*The Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the General Fund for total revenues by \$40,193, total expenditures by \$30,000, total other financing sources (uses) by (\$40,000), beginning fund balance by \$104,766, and ending fund balance by \$74,959; due to the inclusion of the LGEA and Rescue Squad Funds with the General Fund in accordance with Statement No. 54 of the Governmental Accounting Standards Board.

**MARION COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2011**



**MARION COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>Homeland Security Fund</b>	<b>National Scenic-Byway Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 156	\$ 16,026	\$ 16,182
Total Assets	<u>156</u>	<u>16,026</u>	<u>16,182</u>
<b>FUND BALANCES</b>			
<b>Restricted For:</b>			
Protection to Persons and Property	156		156
Roads		16,026	16,026
Total Fund Balances	<u>\$ 156</u>	<u>\$ 16,026</u>	<u>\$ 16,182</u>

The accompanying notes are an integral part of the financial statements.

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**MARION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**



**MARION COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>Homeland Security Fund</b>	<b>National Scenic By-Way Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$	\$ 1	\$ 1
Miscellaneous	1		1
Total Revenues	<u>1</u>	<u>1</u>	<u>2</u>
<b>EXPENDITURES</b>			
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1</u>	<u>1</u>	<u>2</u>
Net Change in Fund Balances	1	1	2
Fund Balances - Beginning	155	16,025	16,180
Fund Balances - Ending	<u>\$ 156</u>	<u>\$ 16,026</u>	<u>\$ 16,182</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable John G. Mattingly, Marion County Judge/Executive  
Members of the Marion County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Marion County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 23, 2012. Marion County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Marion County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Marion County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2011-02 and 2011-03.

The Marion County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

March 23, 2012



**MARION COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2011**



**MARION COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2011**

INTERNAL CONTROL - MATERIAL WEAKNESS

2011-01     Procedures For Maintaining Ledgers And Reconciliation Should Be Improved

Good internal controls dictate that accurate receipts and disbursement ledgers be maintained to clearly represent the financial standing of the Marion County Detention Center. During our reconciliations of ledgers to bank statements, differences between the ledgers and bank statements were noted.

Inmate Trust Fund:

Inmate Trust Fund ledgers did not reconcile to the bank statements. Auditors found that the primary problem was in accounting for Telmate deposits. The detention center uses kiosks for inmate collections that are operated by Telmate. Telmate generates a report for the detention center on a weekly basis stating how much was collected for each inmate account. This amount is automatically deposited to the Detention Center's Inmate Trust Fund. Auditors found that the reports were sent with inconsistent dates, resulting in double posting to the ledgers. It was also found that amounts of deposits to the bank account did not agree to what the reports show as due. It appears that the differences of these deposits totaled \$5,943 still being due to the Inmate Trust Fund from Telmate.

It was also found that Telmate deposited an additional \$5,000 to the account during the year that was not on the ledger. Other small errors were noted that were posted to the bank account, but were not accounted for on the ledger.

Telmate kiosks are responsible for the majority of inmate receipts. Receipt transactions should be posted to the ledger based upon reports obtained from Telmate. Receipt and disbursement ledgers should be reconciled regularly to bank statements. During reconciliation to the bank statements monthly, any difference in the report and what was deposited to the account should be investigated and settled immediately. This is necessary to ensure that funds in the Inmate Trust Fund are sufficient to cover inmate account balances.

Inmate Bond Fund:

Inmate Bond Fund ledgers did not reconcile to the bank statement. Auditors noted that the ledgers ending balance at June 30, 2011 did not agree to the difference in receipts and disbursements.

The balance was the same as what was on the bank statement. Auditor obtained a receipt report from Telmate to determine what was due to the account and compared it to what was actually received in the bank account. It was noted that two weekly deposits were not made to the bond account. Many other weeks showed differences in what was due per reports and what was actually received. A net difference of \$7,924 appears to be owed to the Bond Fund from Telmate.

It is recommended that the detention center maintain accurate ledgers for the inmate fund and bond fund and verify their accuracy with a reconciliation each month. Any noted discrepancy should be resolved immediately. It is further recommended that the detention center reconcile any past deposit/report discrepancies with Telmate to ensure that the correct amount of funds are received.

**MARION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2011**  
**(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESS (Continued)

2011-01     Procedures For Maintaining Ledgers And Reconciliation Should Be Improved (Continued)

*County Judge/Executive John G. Mattingly's Response: None.*

*County Jailer Barry Brady's Response:*

- *Reports are being sent and reimbursements are being made by Telmate to the appropriate accounts. Telmate will be sending weekly reports on both accounts; reports will be reconciled with bank statements on a monthly basis.*
- *Inmate Trust Fund: Inmate trust fund deposits will be entered into Jail Tracker and reconciled in that program; they will no longer be entered into Quicken. Jail Tracker will be the banking system for the Inmate Trust Fund.*
- *Jail Bond Account: Entire jail bond account (beginning December, 2010) has been entered into Quickbooks and reconciled with bank accounts and with Telmate. Accounts have been corrected and reconciled.*

STATE LAWS AND REGULATIONS

2011-02     The Jailer Should Ensure That All Commissions Earned From The Sale Of Merchandise Is Deposited Into The Jail Canteen Fund

According to KRS 441.135, all profits from the canteen shall be used for the benefit and to enhance the wellbeing of the prisoners. During testing, we noted that commissions earned from the sale of drinks and snacks in the vending machine were deposited into a separate checking account called the Staff Canteen Fund. This account was opened in May of 2003 with the initial deposit of \$748. These monies were utilized for employee gifts and entertainment. During FY 2011, the following expenses were noted:

Reimbursements (Conference Expenses, Food, Etc)	\$1,252
Gift Cards for Staff	1,203
Florist (Flowers, Gifts, etc)	822
Food (Various Events)	676
Christmas Entertainment	450
Liquor Store	141

We recommend the Jailer cease paying vending machine commissions to the Staff Canteen Fund. These commissions should be deposited to the Jail Canteen Fund. It is further recommended that the balance of the Staff Canteen Fund be transferred to the Jail Canteen Fund and used for the benefit and to enhance the wellbeing of the prisoner. This matter will be referred to the Marion County Fiscal Court and County Attorney for further investigation.

*County Judge/Executive John G. Mattingly's Response: None.*

:

**MARION COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2011**  
**(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2011-02     The Jailer Should Ensure That All Commissions Earned From The Sale Of Merchandise Is Deposited Into The Jail Canteen Fund (Continued)

*County Jailer Barry Brady's Response:*

- *The vending machines located at Marion County Detention Center were installed in May 2003 to compensate for the discontinuation of employee access to the 24 hour facility kitchen. The decision to add the vending machines was unanimously approved by the Marion County Fiscal Court after review and approval by the Marion County Attorney and Marion County Treasurer. Removing the vending machines at this point would only penalize the staff. Therefore, the machines will remain as an available source for snacks and drinks for the on duty staff, with all commissions going to the inmate commissary account.*

2011-03     The Fiscal Court Should Advertise For Bid On Purchases That Exceeded \$20,000 In Accordance With KRS 424.260

During testing we noted purchases for culverts exceeding \$20,000 from one vendor and two different types of emulsified asphalt (HFRS-2 & AE-200) from another vendor, that were not properly bid. KRS 424.260 states "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids." We recommend the fiscal court comply with the provisions of KRS 424.260, by obtaining bids involving expenditures of more than \$20,000.

*County Judge/Executive John G. Mattingly's Response: The Marion County Fiscal Court was under the impression that each culvert was a separate project and would not need to be bid as long as the total cost was under \$20,000. Also, we assumed the two different types of emulsified asphalt were separate projects and would not need to be bid if under \$20,000. In the future, the Marion County Fiscal Court will bid these items if the total expenditure for like items will exceed \$20,000.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**MARION COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**

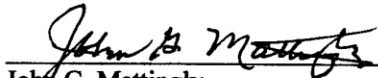


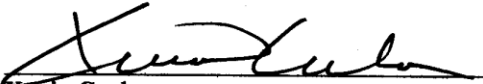


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
MARION COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Marion County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
John G. Mattingly  
County Judge/Executive

  
\_\_\_\_\_  
Kevin Cochran  
County Treasurer

